


Chevy Chase Village Board of Managers
FY2014 Budget Work Session
Wednesday, February 20, 2013 at 7:30 p.m.

MEMORANDUM

To: Board of Managers

From: Shana R. Davis-Cook, Village Manager 

Date: February 15, 2013

Subject: Initial Draft Budget for FY2014

I have prepared the enclosed draft budget and supporting materials with assistance from Village Finance Director Demetri Protos. The draft budget reflects input from Village Department Heads Police Chief John Fitzgerald and Director of Municipal Operations Michael Younes. Over the past six weeks the Budget, Chevy Chase Open Space, Public Safety, & Tree Committees have reviewed and/or discussed proposed budget expenditures for the related areas. No changes or modifications were requested.

This memorandum highlights specific areas of the budget for the Board's review:

I. FY2014 Budget Process

- The **Budget Committee** reviewed the draft budget at a public meeting held on Tuesday, February 5. A **report** from the committee is located behind this memo.
- Following the Board's **Budget Work Session on Wednesday, February 20**, I will make requested modifications to the budget and circulate the amended draft to the Board in advance of the Public Hearing.
- The Board will hold a **Public Hearing** on the draft budget at your regular meeting on **Monday, March 18**, followed by **further discussion** (as needed) on the budget at your **Monday, April 8** regular meeting.
- The Board will **adopt** the FY2014 operating and capital budget during the Village's Annual Meeting on **Monday, April 15**.

II. Budget Assumptions—Revenue

Revenue (see Tab 2)

- The **property tax** revenue estimate anticipates maintaining the constant yield property tax rate. Due to increased property assessments, the rate would be decreased from \$.1005 to **\$.1002** per \$100 of assessed value (*see Tab 2*). As the Budget Committee's report outlines, the committee was unable to reach a consensus on the status of the property tax rate.
- The **income tax** revenue estimate for FY2014 anticipates a slight decline of 12% from the FY2013 projection, insomuch as the estimated revenue in the current fiscal year includes a \$563,000 reconciliation payment and another non-recurring payment of

approximately \$235,000 for delinquent filers, penalties and the remainder of reconciliations from FY2012. This level of receipts is, therefore, unique to FY2013 and is not likely to be received in FY2014.

- **SafeSpeed Program** revenue projections reflect a slight decline commensurate with improved driver awareness.

III. Expense Highlights *(see Tab 3)*

(Please Note: All references herein to FY2013 refer to the "Projections" behind Tab 2 unless otherwise indicated.)

On-Going Programs

The FY2014 proposed budget is up approximately 3% from the FY2013 year-end projections. I have not proposed any major operational or service modifications in the FY2014 budget. The proposed operating budget reflects a surplus of over \$930,000 (before capital projects and equipment purchases) for FY2014.

- **Personnel, Department Services**

(27 full time employees, including 2 contract employees)

A 2% cost-of-living adjustment has been applied for all personnel, including contract employees, and a 4% performance increase has been reflected for all eligible employees (see the sheets located under *Tab 5*). A 5% increase has been applied for health insurance premiums on top of FY2013 projected actuals, except in General Government and Public Works (see notes below).

I have not proposed, nor have any departments requested, any reductions or increases in staffing in the FY2014 budget. Feedback from the Personnel Commission has been limited as we awaited the Bureau of Labor Statistics' consumer price index for urban wage earners in the Washington/Baltimore area, which had not been released when this memo was finalized. The Personnel Commission's recommendations in this regard will be advanced to the Board within the coming weeks, hopefully before the Board's regular meeting in March.

- **Operations, Department Services**

Village-wide department operations expenses are up 5% (the increase is actually 1.5% if you net out *SafeSpeed* Program contract delinquent collections processing) in the draft FY2014 budget compared to the FY2013 year-end projection. Expenses for fuel, and vehicle maintenance and repairs are trending up across all departments, the latter of which are attributable to an extended vehicle retention program. The longer we keep vehicles in the Village fleet, the more expensive each vehicle's annual carrying costs become, although still less expensive than replacing these vehicles on a shorter schedule.

- **Police, Personnel**

(11 full-time employees: 10 sworn [including 1 contract employee], 1 civilian)

Expenses are projected to increase \$114,019 (10.5%). This is primarily caused by an artificially low FY2013 base for the sole contract employee in this department, for whom no pay increase was budgeted last year. The FY2014 budget reflects an increase in compensation reflective of actuals approved by the Board in FY2013 and a projected increase in FY2014 commensurate with other employees.

Overtime has also been increased to reflect:

1. a notable positive behavioral change whereby officers are opting to take additional work hours as paid versus accrued compensation. Accrued compensation is an unfunded liability for the Village in out-years when this money is paid to employees at a higher rate when they separate from the Village.
2. additional shift coverage within the Communications Center. With the recent efforts to limit staffing in the 24-hour Communications Center, we have seen an increase in the need to secure shift coverage using patrol officers when two or more clerks are unable to work (due to sick or vacation leave, turnover, etc.).
3. officer training proposed by Chief Fitzgerald in the upcoming year that is offered on a limited schedule. Although the training is free, overtime will be required to ensure all officers are able to attend the three-day armament training.
4. a proposed adjustment in our court time compensation policy (see explanatory memo that immediately follows this memo).

Lastly, program accreditation expenses reflected in FY2013 are on a three year recurrence schedule and have been reduced in FY2014 by almost \$7,000.

- **Police, Operations**

Expenses are relatively flat; however, a \$45,000 payment for contracted delinquent collections processing, which directly correlates to increased delinquent collections revenue totaling \$150,000, is now reflected as an operational expense. The Village's contract with our photo speed enforcement vendor reflects a 30% payment for each paid delinquent citation. A more aggressive collections program begun in FY2013 has yielded higher than anticipated revenues in the current fiscal year, and therefore a higher payment to the vendor for processing these citations. A delay in the start of delinquent collections processing begun in February (2013) may result in a decline in this revenue category. If this decline continues into FY2014 and revenues in this category fall short of estimates, this expense will decrease accordingly.

Computer and furniture replacements that had been deferred over the past couple of fiscal years were accomplished in FY2013 allowing these expense line items to be reduced in FY2014 by approximately \$2,500.

- **Communications, Personnel**

(5 full-time employees)

The amount of overall expense increases has been partially off-set by the loss of a tenured employee in the third quarter of FY2013.

- **Communications, Operations**

Expenses are relatively flat. A modest expense increase (\$200) is shown for the addition of a Village-issued cellular phone for the on-call Lead Communications Clerk.

- **Public Works, Personnel**

(6 full-time employees)

In addition to a 5% inflation increase in health insurance premiums, an additional increase has been applied for specific employee coverage-level increases within this department. The additional increase is non-recurring.

- **Public Works, Operations**

Expenses are down due to reduced refuse and recycling contract collection and tipping (per ton cost to dump collected materials at the County's transfer station) expenses.

- **General Government, Personnel**

(5 full-time employees [including 1 contract employee])

This year's budget has been modified to combine the "Administration" and "Capital/Contracts" departments, which were initially split in FY2009. The new combined department, "General Government" more accurately reflects expenses that overlap these two areas of the organization (the annual audit always maintained these two departments as one).

Payroll is up approximately 10% due to unbudgeted (in the original approved FY2013 budget) compensation increases afforded to the sole contract employee in this department, and the promotion of another employee. The FY2014 budget reflects an increase in compensation reflective of actuals approved by the Board in FY2013 and a projected increase for the contract employee in FY2014 commensurate with other employees.

This is another department where an additional increase has been applied for specific employee coverage-level increases above the 5% inflation increase in health insurance premiums. Again, this additional increase is non-recurring.

Organizational Development expenses have been slightly increased (\$1,000) to allow the Manager and Director of Municipal Operations to take advantage of professional development opportunities that had been deferred during the past couple of years.

- **General Government, Operations**

We have made a slight increase (\$2,500) to the budget for the Winter Holiday Party. As I expressed to the Board last year, it has become increasingly difficult to plan this event under the previous budget. For the past couple of years we have been forced to reduce food quantities, and we have run out of food well before the end of the event. This modest increase, however, is off-set by other slight decreases in other areas, resulting in a net departmental increase of approximately \$1,500.

- **Legal-General Counsel**

Due to our continuing moderate use and the recently executed engagement agreement with new Village Counsel, Ms. Suellen Ferguson, legal expenses are expected to trend even further down. We have therefore reduced this expense down by \$60,000 in the FY2013 projections and for FY2014.

Facilities, Fleet & Infrastructure

- **Village Hall**

Expenses in this area have remained relatively flat.

- **Parks, Trees & Greenspaces**


A reduction in our landscape maintenance contract and some of our tree program expenses have resulted in a lower budget for FY2014. The Tree Committee's aggressive tree planting program (45 trees each spring and autumn, including new trees along Connecticut Avenue) will be continued into FY2014. Members of the Budget Committee support funding for a private property tree inspection program, currently employed in the Town of Chevy Chase (see the Budget Committee's Report following this memo), although the Tree Committee has not lent its support for this type of program. I estimate an approximate cost of \$5,000 if the Village Board opted to offer this program (based upon the Town's experience).

Capital and Special Projects (see Tab 4)

The Capital projects and equipment purchases slated for FY2014 will generate an approximate \$284,000 draw on reserves; however, reserve balances as of June 30, 2014 are still estimated to total \$6 million. The revised CIP includes one new project and one new expenditure not included previously.

- A new project, Village Hall Security, was presented to the Budget Committee earlier this month as a larger expense for FY2015. With this expense we seek to ensure safety of personnel, visitors, equipment and files in the Village Hall. Through ongoing discussions with my Department Heads in hopes of proceeding more quickly with the security measures envisioned, we have reduced this expense by \$30,000 to \$12,000 and moved it into FY2014.
- The second addition to the CIP is the replacement of the Village's 10-year old phone system, which is no longer supported. This replacement will be done in connection with the already planned replacement of our phone recording system of the same age.
- Street maintenance expenses have increased as a result of expanded water main and sewer replacement projects to be performed by the Washington Suburban Sanitary Commission, which is off-set by an approximate \$181,000 WSSC reimbursement for roadway replacement.
- The Village-wide Streetlight Upgrades project costs for FY2014 have increased, although the overall CIP value for this project has decreased following the release of the PEPCO tariff for LED lights (discussed with the Board in December 2012) that, if pursued, should allow for the replacement of all streetlights in a single year rather than phasing the project over several years as initially proposed.

Respectfully submitted,



Shana R. Davis-Cook
Village Manager